

FISCAL NOTE

SB 2931 - HB 4052

February 26, 2008

SUMMARY OF BILL: Requires at least 70 percent of total local education agency (LEA) operating funds to be spent on classroom expenditures, district-wide and for each school, by fiscal year 2012-2013; 80 percent by fiscal year 2014-2015; and 90 percent by fiscal year 2016-2017. Beginning fiscal year 2008-2009, requires LEAs to report each fiscal year the percentage of total expenditures made for classroom expenditures, district-wide and for each school. The report is due by September 1 following the close of the fiscal year.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$476,000

Increase Local Expenditures* - \$4,488,000

Other Fiscal Impact: LEAs will redirect funds to meet the new requirements for classroom expenditures. This will be done either by raising new revenue, cutting non-classroom expenditures, or a combination. The total expenditure redirection to meet the 70 percent requirement by FY12-13 is \$956,888,300. The total expenditure redirection to meet 80 percent by FY14-15 is \$4,671,164,700. The total expenditure redirection to meet 90 percent by FY16-17 is \$15,813,993,700.

Assumptions:

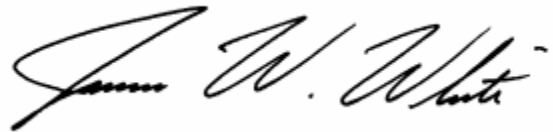
- The BEP funding formula is unchanged. LEAs will not receive more state funding as a result of this bill.
- Currently, all bookkeeping and reporting are performed by the state and LEAs at the system level. This bill will require financial reports from each school and a maintenance of effort test on classroom expenditures to be performed at all 1,709 schools. According to the Department of Education (DOE), seven new consultants will be needed to perform maintenance of effort tests for 1,709 schools. The cost in salary and benefits for consultants will be \$68,000 per consultant, an increase in state expenditures of \$476,000 ($\$68,000 \times 7 = \$476,000$).

- According to the Comptroller, 133 out of 136 LEAs currently spend less than 70 percent of their total operating budget on expenditures. The highest currently is 76 percent.
- According to DOE, each LEA will need to hire one additional bookkeeper to meet the new reporting requirements. Cost in salary and benefits per bookkeeper is \$33,000. The increase in local expenditures to hire one bookkeeper per LEA will be approximately \$4,488,000 ($\$33,000 \times 136 = \$4,488,000$).
- This estimate does not include software update costs that will be required for each school to have access to the state electronic reporting system.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

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